

# SENATE BILL REPORT

## SHB 2684

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As Reported By Senate Committee On:  
Ways & Means, February 22, 2006

**Title:** An act relating to vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

**Brief Description:** Allowing vesting after five years of service in the defined benefit portion of the public employees' retirement system, the school employees' retirement system, and the teachers' retirement system plan 3.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Fromhold, Bailey, Conway, Lovick, Green, Sells, Kenney, Quall, Simpson, Moeller and Morrell; by request of Select Committee on Pension Policy).

**Brief History:** Passed House: 2/11/06, 97-0.

**Committee Activity:** Ways & Means: 2/21/06. [DP]

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Erik Sund (786-7454)

**Background:** A member of a retirement system administered by Washington State must complete a specific amount of qualified employment before he or she is entitled to a pension benefit. This period of service is known as a vesting requirement.

In the Public Employees' Retirement System (PERS) Plans 1 and 2, the School Employees' Retirement System (SERS) Plan 2, and the Teachers' Retirement System (TRS) Plans 1 and 2, the vesting period for employees is five years. After five years of service in Plan 1 or Plan 2, members' defined benefits are based in part upon the number of qualified years of service they have worked multiplied by 2 percent of their final average salaries. The method of calculating final average salary varies by plan.

The Plans 3 are a "hybrid" plan design in which employer contributions are made to support a defined benefit, and employee contributions are made into individually defined contribution accounts.

In PERS 3, SERS 3, and TRS 3, the vesting period in the defined benefit portion of employees' benefits is 10 years, or five years including one year after age 54. After 10 years

of service, a Plan 3 member's defined benefit is based upon the number of qualified years of service he or she has worked multiplied by 1 percent of average final salary. Plan 3 members vest immediately in the defined contribution portion of their benefits.

Members who were already vested in Plan 2 when they transferred to PERS 3, SERS 3, or TRS 3 remain vested members.

**Summary of Bill:** Members of PERS, SERS, and TRS Plans 3 vest after five years of service, with one year after age 44.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill will benefit employees who enter the system in their thirties. It is a good start and is to be commended. The amended bill costs substantially less than the original bill.

**Testimony Against:** None.

**Who Testified:** PRO: Don Carlson, Public School Employees; John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; David Westberg, AFL-CIO Stationary Engineers.